

Hearing Announced to Evaluate Pending Legislation

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(Washington, DC) Despite industry pressure to reduce consumer protections, U.S. Representative Luis V. Gutierrez (D-IL), Chairman of the Subcommittee on Financial Institutions, today redoubled his efforts to enact legislation that would restrict unscrupulous payday lending practices and announced that he will hold a **hearing to evaluate his payday lending reform legislation on April 2, 2009**.

The Payday Loan Reform Act (H.R. 1214) outlines solid consumer protections for 23 states that have weak or even nonexistent consumer protections from abusive lenders. The bill focuses on the two major concerns with regard to payday loans: the fees charged and the "cycle of debt" that occurs when consumers are not able to immediately repay their loans.

"The status quo in the payday lending industry is unacceptable," said Rep. Gutierrez, "and I will fight to provide a federal safety net for the working poor who are suffering the most in this economic downturn."

The terms of the bill are strict on consumer protections, much to the frustration of the payday lending industry.

"House Bill 1214, as proposed, goes too far, infringing upon consumer choice, limiting

consumer access to arbitration, and preempting and interfering with the fee structures established by the representatives of the citizenry in 34 states," said Jeff Kursman, Check 'n Go Company Spokesman.

Contrary to some initial consumer concerns, HR 1214 does not rollback any existing or current consumer protections, but rather encourages states to continue to serve their traditional role as the primary protector of consumer rights. **The Bill would create a federal floor on which additional state consumer protections can be added.**

Additionally, it would eliminate the cycle of debt by giving borrowers a three-month repayment plan with NO additional fees or interest charges.

Recently, some consumer groups have voiced concern that the Bill does not limit the amount of aggregate loans that a consumer can have pending at any given time, however such is not the case. The Payday Loan Reform Act would make it illegal for a lender to make more than one payday loan at a time to a consumer, or to accept a payment plan payment from another payday loan. **Moreover, the proposed interest and fee cap would be an improvement over the current law in 23 states, despite bitter complaints from the payday industry that the proposed caps are too low.**

"Under the status quo, some states would have adequate protections from payday lenders, and others would continue to be at the mercy of the most unscrupulous actors in the industry," said Gutierrez. "That is unacceptable. H.R. 1214 would, in one fell swoop, improve the payday lending laws in 23 states and provide additional consumer protections for millions of hardworking Americans who do not have access to the mainstream financial system. H.R. 1214 says 'NO' to the status quo."

Concentrated in low-income and minority neighborhoods, payday lenders typically offer short-duration loans, waiving the credit history requirement imposed by traditional banks. Unfortunately, those who most need these loans are often the least able to repay them, and the consumer is subjected to interest rates ranging from 261 percent to 913 percent annually. The effects of these often unrestricted and poorly regulated loans are potentially crippling for the average consumer in a declining economy.

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